

**PUBLIC ROUNDTABLE
ON
PR 15-570 “HOME PURCHASE ASSISTANCE PROGRAM
APPROVAL RESOLUTION OF 2003”**

**BEFORE
THE COMMITTEE ON ECONOMIC DEVELOPMENT
HAROLD BRAZIL, CHAIRMAN
COUNCIL OF THE DISTRICT OF COLUMBIA**



**TESTIMONY OF STANLEY JACKSON
DIRECTOR
DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT**

WEDNESDAY, DECEMBER 17, 2003

GOOD AFTERNOON, CHAIRMAN BRAZIL AND MEMBERS OF THE COMMITTEE ON ECONOMIC DEVELOPMENT. I AM STANLEY JACKSON, DIRECTOR OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, WHICH I WILL REFER TO AS “DHCD” OR “THE DEPARTMENT.”

AT THE TABLE WITH ME ARE ROBERT MULDERIG, DEPUTY DIRECTOR FOR RESIDENTIAL AND COMMUNITY SERVICES; AND WILLIAM JAMESON, HOME PURCHASE ASSISTANCE PROGRAM MANAGER.

WE APPEAR BEFORE YOU TODAY SEEKING APPROVAL OF AMENDMENTS TO THE REGULATIONS FOR THE DISTRICT’S HOME PURCHASE ASSISTANCE PROGRAM, KNOWN AS HPAP.

PROPOSED REGULATION CHANGES

THE PURPOSE OF THE PROPOSED AMENDMENTS TO THE HPAP PROGRAM IS TO FURTHER ASSIST FIRST-TIME HOMEBUYERS WITH DOWN PAYMENT AND CLOSING COST ASSISTANCE. DHCD STAFF MET WITH PARTNERS IN THE HOMEBUYING INDUSTRY TO CONSIDER POTENTIAL AMENDMENTS TO THE HPAP PROGRAM THAT WOULD

BETTER AID LOW- AND MODERATE-INCOME APPLICANTS TO BE COMPETITIVE IN TODAY'S MARKET. THE RECOMMENDATIONS ARE REFLECTED IN THE PROPOSED AMENDMENTS, WHICH:

(1) INCREASE THE MAXIMUM DOWN PAYMENT AND CLOSING COST ASSISTANCE FOR VERY-LOW INCOME APPLICANTS FROM \$20,000 TO \$30,000;

(2) INCREASE THE MAXIMUM LOAN AMOUNT FOR LOW-INCOME APPLICANTS FROM \$15,000 TO \$20,000;

(3) REDUCE THE MINIMUM INTEREST RATE TO BE APPLIED TO LOANS FOR MODERATE INCOME BORROWERS FROM 5% TO 3%;

(4) DEFER HPAP LOAN REPAYMENT FOR LOW- AND MODERATE-INCOME BORROWERS FOR THE FIRST FIVE YEARS FOLLOWING HOME PURCHASE (THE FIVE-YEAR DEFERMENT WAS ALREADY IN PLACE FOR VERY LOW-INCOME BORROWERS);

(5) ESTABLISH A CEILING ON THE AMOUNT OF A FIRST-TRUST LOAN FOR HPAP BORROWERS, EQUAL TO THE CONVENTIONAL MORTGAGE LIMIT, CURRENTLY \$322,700; AND

(6) ELIMINATE AN UNUSED PROVISION OF THE REGULATION THAT FACILITATED THE DEPARTMENT'S ABILITY TO SHARE IN MARKET INCREASE EQUITY OF HOMES PURCHASED WITH HPAP ASSISTANCE.

SUCCESS AND SUSTAINED INTEREST IN HPAP

HPAP HAS HAD A VERY POSITIVE IMPACT ON THE ABILITY OF LOW- AND MODERATE-INCOME HOUSEHOLDS TO PURCHASE HOMES IN THE DISTRICT OF COLUMBIA. THIS PROGRAM, CREATED MORE THAN TWENTY-FIVE YEARS AGO, HAS BEEN SUCCESSFUL IN ASSISTING MORE THAN 11,000 DISTRICT OF COLUMBIA RESIDENTS ACHIEVE THE DREAM OF HOMEOWNERSHIP. DATA FROM THE HPAP PROGRAM IN RECENT YEARS SUGGESTS THAT THE CLEAR MAJORITY OF HOUSEHOLDS SERVED WITH THIS HOMEBUYER ASSISTANCE WERE VERY LOW- INCOME HOUSEHOLDS.

THIS YEAR, THE DEPARTMENT HOSTED THE FOURTH ANNUAL SERIES OF HOMEBUYER WORKSHOPS DURING NATIONAL HOMEOWNERSHIP MONTH. THOSE WORKSHOPS ATTRACTED A RECORD NUMBER OF PARTICIPANTS, AND THE PRESENTATION FROM THOSE WORKSHOPS CONTINUES TO BE AIRED ON CABLE TELEVISION CHANNEL 16. THE

LEVEL OF INTEREST IN HOMEOWNERSHIP PURCHASE IN THE DISTRICT WAS EVIDENCED YET AGAIN AT THE “CITY LIVING, DC STYLE” EXPOSITION, HELD AT THE WASHINGTON CONVENTION CENTER IN OCTOBER OF THIS YEAR. DHCD’S BOOTH AT THE EXPO ATTRACTED A SIGNIFICANT NUMBER OF PEOPLE EXPRESSING INTEREST IN BECOMING HPAP APPLICANTS.

CURRENT MARKETPLACE CHALLENGES

HOUSING PRICES THROUGHOUT THE DISTRICT OF COLUMBIA HAVE INCREASED DRAMATICALLY OVER THE PAST FEW YEARS, PRESENTING A SIGNIFICANT CHALLENGE FOR LOW- AND MODERATE-INCOME HOUSEHOLDS TO PURCHASE AFFORDABLE HOUSING. A RECENT REPORT FROM THE GREATER CAPITAL AREA ASSOCIATION OF REALTORS INDICATED THAT THE MEDIAN PRICE OF HOMES SOLD IN THE DISTRICT THIS YEAR TO DATE WAS \$330,000, UP 87% FROM THE MEDIAN PRICE OF \$175,600 IN 2000. THE NUMBER OF HOMES SOLD AT PRICES LESS THAN \$150,000 DROPPED BY 66% DURING THIS PERIOD, FROM 2,053 IN 2000 TO 691¹ IN 2003.

¹ Extrapolating for the current month, December 2003

WHILE HOME PRICES HAVE RISEN DRAMATICALLY IN THE PAST THREE YEARS, THE MEDIAN ANNUAL INCOME FOR DISTRICT HOUSEHOLDS HAS INCREASED AT A MUCH LOWER RATE DURING THE SAME PERIOD. FOR HPAP BORROWERS IN PARTICULAR, HOUSEHOLD INCOME ROSE BY ABOUT 9%, FROM \$32,836 IN 2000 TO \$35,747 IN 2003. HOWEVER, THE MEDIAN PRICE OF HOMES PURCHASED BY HPAP BORROWERS IN FY 2003 WAS \$127,222, UP 17% FROM THE MEDIAN PRICE OF HOMES PURCHASED WITH HPAP ASSISTANCE IN FY 2000, WHICH WAS \$108,559.

THIS SUGGESTS THAT HOMEBUYERS SUPPORTED WITH HPAP ASSISTANCE HAVE A MUCH SMALLER INVENTORY OF HOUSES AFFORDABLE AT PRICES LESS THAN \$150,000 THAN THEY WOULD HAVE HAD THREE YEARS AGO. THE WIDENING GAP BETWEEN REAL ESTATE PRICES AND HOUSEHOLD INCOME HAS HAD AN EFFECT ON THE EXTENT TO WHICH ELIGIBLE HOUSEHOLDS CAN ACCESS THE ASSISTANCE OF THE HPAP PROGRAM. IN FY 2001, THE PROGRAM WAS ABLE TO PROVIDE DOWN PAYMENT AND CLOSING COST ASSISTANCE FOR 460 FIRST-TIME HOMEBUYERS, BUT THIS NUMBER FELL TO 397 IN FY 2002 AND TO 268 IN FY 2003.

BENEFITS OF THE PROPOSED REGULATION CHANGES

THE INCREASED LEVELS OF ASSISTANCE, DECREASED INTEREST RATE, AND FIVE-YEAR DEFERMENT OF MONTHLY LOAN PAYMENTS WILL ENHANCE THE PURCHASING POWER OF HPAP APPLICANTS.

THE LIMIT ON FIRST TRUST MORTGAGE LOANS WILL ENSURE THAT HPAP FUNDS SERVE THE PUBLIC PURPOSE OF ASSISTING IN THE PURCHASE OF AFFORDABLE HOUSES.

FINALLY, THE ELIMINATION OF THE MARKET EQUITY SHARE PROVISION OF THE EXISTING REGULATIONS WILL ALLOW HPAP BORROWERS THE FULL BENEFIT OF EQUITY INCREASES AFFORDED TO ALL HOMEBUYERS, SINCE HOME VALUE APPRECIATION IS A PRIMARY FACTOR TO WEALTH-BUILDING.

CONCLUSION

HPAP IS AN INTEGRAL PART OF THE CITY'S PLAN TO INCREASE HOMEOWNERSHIP, AND THE PROGRAM MUST CONTINUE TO EVOLVE TO MEET CHANGING MARKET TRENDS.

CHAIRMAN BRAZIL, THANK YOU FOR THE OPPORTUNITY TO APPEAR
BEFORE YOU TODAY TO REQUEST COUNCIL'S APPROVAL OF
AMENDMENTS TO THE HPAP PROGRAM REGULATIONS. MY STAFF
AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.